



FACTORS AFFECTING INFLATION IN MALAYSIA

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BACHELOR OF BUSINESS ADMINISTRATION

WITH HONOURS (FINANCE)

FACULTY OF BUSINESS MANAGEMENT

UNIVERSITI TEKNOLOGI MARA

MALACCA CITY CAMPUS

JANUARY 2018

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Submitted in Partial Fulfilment of the

Requirement for the

Bachelor of Business Administration with Honours (Finance)

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DECLARATION OF ORIGINAL WORK



BACHELOR OF BUSINESS ADMINISTRATION WITH HONOURS (FINANCE)

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“DECLARATION OF ORIGINAL WORK”

I, Nabila Hanis Bt Abdul Rahman (950524-14-6692)

Hereby, declare that:

- **This work has not previously been accepted in substance for any degree, locally or overseas, and is not being concurrently submitted for this degree or any other degrees.**
- **This project-paper is the result of my independent work and investigation, except where otherwise stated.**
- **All verbatim extracts have been distinguished by quotation marks and sources of my information have been specifically acknowledged.**

Signature: _____ Date: _____

LETTER OF SUBMISSION

January 2018

Madam Zunaidah Abu Hasan

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Dear Sir/Madam,

SUBMISSION OF FINAL PROJECT PAPER

Attached is the project paper title “FACTORS AFFECTING INFLATION IN MALAYSIA” to fulfil the requirement needed by the Faculty of Business Management, Universiti Teknologi MARA.

Thank You.

Yours Sincerely,

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Bachelor of Business Administration with Honours (Finance)

ABSTRACT

Inflation became a one of the serious matters over a period of time. It can be said that, throughout the past few years, Malaysia's inflation is caused by many factors. This paper investigates the relationship between inflation and the other factors such as Money Supply (MS), Exchange Rate (ER), Interest Rate (IR) and Gross Domestic Product (GDP) in Malaysia over the period from 1986 to 2016. Autoregressive Distributed Lag (ARDL) model has been employed to find cointegration among variables of the models. Trade off exists between all the independence variables over short run and long run with inflation rate. The results reveal that inflation rate in Malaysia will react positively towards the change in money supply, exchange rate, interest rate, and gross domestic product. Gross Domestic Product is revealed as major cause of inflation while interest rate is found to be a minor cause of inflation.

Keyword: Inflation, Money Supply, Exchange Rate, Interest Rate, Gross Domestic Product, ARDL.